

MINUTES
GAMING ADVISORY COUNCIL

October 26, 2001
Scott Hart Auditorium
Helena, Montana

Please note: This is a summary of the Council meeting. The meeting in it's entirety is on tape at the Gambling Control Division office at 2550 Prospect Avenue, Helena, Montana. Exhibits are on file in the office of the Gambling Control Division.

COUNCIL MEMBERS PRESENT

Senator Dale Mahlum
John Tooke

Steve Morris
Bill Thomas

DIVISION STAFF PRESENT

Gene Huntington
Rick Ask

Ben Kamerzel
Julie Burch

SUMMARY OF COUNCIL ACTION

- ◇ **Received welcoming remarks from Attorney General, Mike McGrath**
- ◇ **Received Division report from Gene Huntington, Gambling Control Division Administrator**
- ◇ **Heard summary of Legislative Audit report from Joe Murray, Legislative Auditor and comments from Neil Peterson, Administrator, Dept. of Revenue**
- ◇ **Held discussion on \$20 bill acceptors and non-institutional loans**

CALL TO ORDER AND ROLL CALL

Chairman, Senator Mahlum called the meeting to order at approximately 10:10 a.m. Roll call was taken. Members present were Bill Thomas, Senator Mahlum, John Tooke and Steve Morris. Members excused were Tom Scott, Randall Gray, Representative John Witt, Tim Carson and S. Kevin Howlett. The minutes from the July 13, 2001 meeting were adopted unanimously.

ATTORNEY GENERAL MIKE McGRATH

Montana Attorney General, Mike McGrath addressed the Council. He thanked them for their work on the Council and mentioned the Division was looking for advise on the issues of \$20 bill acceptors and non-institutional loans. Mr. McGrath mentioned that since the last meeting, negotiations of a compact with the Salish Kootenai Tribes had been completed. The Attorney General asked if anyone had questions on these issues and no questions were asked. Mr. McGrath advised of the progress and status of the litigation with Lodging and Gaming Systems, Inc., (LGS).

DIVISION REPORT, GENE HUNTINGTON, ADMINISTRATOR

Gene Huntington, Gambling Control Division Administrator addressed the Council and gave them an update on the numbers of Video Gambling Machine permits. Mr. Huntington reported that, for fiscal year 2002, the division had more initial renewals, however, the month-to-month numbers have been lower. He pointed out the first quarter of video gambling tax is up about 4% over last year.

Mr. Huntington provided an update on the status of the automated accounting and reporting system litigation with (LGS). He referred the Council to the recent report to the Interim Legislative Finance Committee. It was further reported that the LGS lawsuit in Nevada had been dismissed at the District Court level and that the Division had prevailed in getting the equipment returned from LGS. Mr. Huntington indicated that it appears a settlement is not likely and that the litigation will take a long time. Continuing, he said that the Division is taking a look at changes in the video gambling business, technology and reviewing the requirements of the system to determine if there is an alternative to the expensive "off the shelf systems." He said The Gambling Advisory Council should expect to be involved with a decision on this in April.

Mr. Huntington also gave the Council a summary of the latest compact negotiations, specifically, the latest compact with the Confederated Salish and Kootenai Tribes and the State of Montana. Mr. Huntington told the Council of the substantive changes in the new 5-year contract, a summary of which was distributed. A number of questions followed concerning the "conditions of play." A question was asked concerning "Rocket Bingo" on the Blackfoot Reservation. Mr. Huntington responded that, no compact exists with the Blackfeet, and continued that, a story in the Cut Bank paper regarding Rocket Bingo had

led the Division to send a letter to the National Indian Gaming Commission and no response had yet been received.

LEGISLATIVE AUDIT OF LICENSING PROCESS

After hearing a summary of the Legislative Audit review from Legislative Auditor, Joe Murray, the council heard a presentation from Neil Peterson of the Department of Revenue. Mr. Peterson provided an overview of the actions that have been taken by the Department of Revenue to address concerns raised in the audit report. Mr. Peterson indicated that a combined application is being developed and the two departments are working on ways to eliminate any problems with application handoffs. Council member John Tooke commented that industry representatives should be involved in developing the joint application. Mr. Huntington commented that a constructive process has been undertaken with the Department of Revenue that should result in a joint application and the initial processing of all applications at the Gambling Control Division. He continued that the process should be in place by March 1, 2002.

PROMOTIONAL GAMES

Mr. Huntington suggested that the discussion on promotional games be postponed due to the fact that only one member of the subcommittee was able to attend the October GAC meeting. Mr. John Tooke asked for an update on the promotional games issue. Mr. Huntington reported that some general alternatives have been developed for consideration by the subcommittee; however, the subcommittee has not been able to get together. Mr. Tooke indicated that he had concerns about treating the non-gambling and gambling businesses differently in the regulation of promotional games.

BILL ACCEPTORS CHANGE

Mr. Huntington advised that there had been on going discussion between the Division and industry representatives on the topics of \$20 bill acceptors for video gambling machines. He explained that the issue was not complex but a question of whether the Division had the discretion to change the rules relating to the limitation on bill acceptors, which, had once been limited by statute. A letter from Representative Joe McKenney was provided to the Council. Representative McKenney then addressed the Council and indicated that he believed the Division had the discretion to change the bill acceptors by rule. Ben Kamerzel, GCD Technical Services Supervisor, explained the technical implication of changing the denomination of bill acceptors. Rich Miller, Gaming Industry Association representative, commented in favor of the \$20 bill acceptors and raised concerns about security and safety of employees. Chairman Mahlum indicated that he was not sure what action could be taken currently without a quorum.

NON-INSTITUTIONAL LOANS

The Administrator introduced the issue of non-institutional loans as a complex one and asked the Division Bureau Chief, Rick Ask to give a brief overview of the topic. Mr. Ask presented the form required for non-institutional financing and explained that persons providing financing are held to the same standard of suitability as the person being licensed. Mark Staples, Montana Tavern Association spokesman, spoke to the problems of gambling operators who need to add operating capital from one business to another and the problem with an open note that requires only the payment of interest. Helena Attorney, Kati Kintli, spoke to issues of interest only loans, transfer of funds among related businesses and tracing the source of non-institutional financing.

FINAL BUSINESS

Chairman Mahlum asked Administrator Huntington for suggestions on a tentative date for the next Gaming Advisory Council meeting. Mr. Huntington suggested that there be two dates scheduled. One in early April to prepare for the Legislature and the other one should be in June or July. Meeting dates and agendas will be announced at a later date.